

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 5640

INFO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EGEN, PGOV, SOPN, CA

SUBJECT: WALTER GORDON SAYS CUTTING UNEMPLOYMENT DOES NOT
HAVE TO MEAN INCREASING INFLATION

1. EX-FEDERAL FINANCE MINISTER AND PROMINENT CANADIAN
NATIONALSIT WALTER GORDON FILLED THE INSIGHT PAGE OF
THE JUNE 9 TORONTO STAR (OF WHICH HE IS A DIRECTOR)
WITH AN EIGHT POINT PROGRAM HE SUGGESTS OTTAWA
MIGHT IMPLEMENT TO CUT UNEMPLOYMENT WITHOUT INCREASING
INFLATIONS.

2. THE PROGRAM CONSISTS OF THE FOLLOWING:

A. MAKE-WORK PROJECTS -- OTTAWA SHOULD IMMEDIATELY
ALLOCATE 2 BILLION DOLLARS FOR MUNICIPAL PUBLIC
WORKS PROJECTS.

B. FISCAL POLICY -- STIMULATE PLANT EXPANSION
AND EXPORTS BY FAST TAX WRITE-OFFS AND TAX
EXEMPTIONS.

C. MONETARY POLICY -- EFFECT A FURTHER SHARP
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REDUCTION OF INTEREST RATES AND REDUCE
VALUE OF CANADIAN DOLLAR TO 90 CENTS U.S. OR LOWER.

D. HOUSING -- GIVE PROVINCES SIX MONTHS TO
ELIMINATE COSTLY RED TAPE OR DENY THEM NHA
MORTGAGE LOANS.

E. BALANCE OF PAYMENTS -- REQUIRE AUTO MAKERS TO
BALANCE TRADE WITH THE US OR RUN RISK THE
GOVERNMENT WILL END AUTO PACT.

F. PIPELINES -- BUILD PIPELINES NOW TO ACCOMMODATE
AMERICAN NEIGHBORS AND PROVIDE JOBS, BUT INSIST
THAT FROM NOW ON ALL CANADIAN GAS SOLD TO THE
US MUST BE REPLACED WITH ALASKAN GAS.

G. FOREIGN CONTROL -- RESTORATION OF REAL PROSPERITY
REQUIRES THAT WE DEAL WITH FOREIGN OWNERSHIP
PROBLEMS.

H. INFLATION -- WHEN PRESENT CONTRLS END, ESTABLISH
WAGE AND SALARY GUIDELINES AND PENALIZE FIRMS
THAT IGNORE THEM. CONTINUE TO POLICE PRICES NOT
ESTABLISHED BY COMPETITION.

3. COMMENT: MOST OF PROGRAM PROPOSED IS VINTAGE WALTER
GORDON, INCLUDING OLD PROPOSAL IN PART G TO ACQUIRE 32 LARGEST
FOREIGN-CONTROLLED SUBSIDIARIES. IN THE PIPELINE SECTION,
GORDON CALLS FOR AN EARLY DECISION WHICH HE TERMS BOTH
"NECESSARY AND DESIRABLE BECAUSE THE U.S. DESPERATELY
NEEDS THE NATURAL GAS THAT HAS BEEN DISCOVERED IN
LARGE QUANTITIES IN PRUDHOE BAY, ALASKA." HE CONTINUES
THAT IT SHOULD BE AGREED THAT ANY CANADIAN GAS EXPORTED
TO THE US FROM NOW ON SHOULD BE REPAID BY EQUAL
QUANTITIES OF ALASKAN GAS, AT THE SAME PRICES, AS SOON
AS THE PIPELINE IS COMPLETED; SECONDLY, THAT EFFECT
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OF THE HUGE INFLOW OF CAPITAL NEEDED TO FINANCE THE LINE
WOULD HAVE ON CANADA'S BALANCE OF PAYMENTS AND THE
EXCHANGE RATE FOR THE CANADIAN DOLLAR WOULD PROVIDE THE
IDEAL TIME TO OFFSET CAPITAL IMPORT BY ACQUISITION OF
FOREIGN-OWNED COMPANIES, PROVIDING EQUIVALENT OUTFLOW,
AND THIRDLY, THAT IN ALL PHASES OF PIPELINE CONSTRUCTION
IN CANADA, PREFERENCE MUST BE GIVEN TO CANADIANS AND
CANADIAN MANUFACTURERS.
DIGGINS

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Message Attributes

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